



**DISTRICT OF COLUMBIA RETIREMENT BOARD
MEETING MINUTES
JANUARY 17, 2013
1:00 PM**

MEMBERS PRESENT

Michael J. Warren, Chairman
Lyle M. Blanchard
Barbara Davis Blum
Joseph M. Bress
Diana K. Bulger
James E. Bunn
Deborah Hensley
Judith C. Marcus
Darrick O. Ross
Edward C. Smith
Jeffrey Barnette, ex-officio

DCRB STAFF PRESENT

Eric Stanchfield, Executive Director
Erie Sampson, General Counsel
Sheila Morgan-Johnson
Joan Passerino
Tom Anderson
Daniel Hernandez
Vernon Valentine
Peter Dewar
Corinne Koch
Leslie King
Deborah Reaves
Katie Schultz
Rabinai Carson
Denice McSears*
Marquetta Miller

MEMBERS NOT PRESENT

George R. Suter
Thomas N. Tippet

OTHERS PRESENT

Brenda Mathis, OCFO
Hazel Bradford, Pensions & Investments
Akio Tagawa, Linea Solutions, Inc.

ROLL CALL

Chairman Warren called the meeting to order at 1:16 p.m. Ms. Deborah Reaves called the roll.

APPROVAL OF MINUTES

Ms. Hensley made the following motion, which was seconded by Mr. Bunn:

Motion #1: To approve the December 20, 2012 Board meeting minutes. *A voice vote was called and the motion was approved 10-0.*

CHAIRMAN'S COMMENTS

Chairman Warren updated the Board on the following items:

- Mr. Warren thanked DCRB staff and the Board for their hard work and dedication during the year of 2012. He noted that recent benefits and operations projects have made great progress;
- Funding Status: Investments outperformed the policy benchmark while the Board reduced investment costs;

- Upcoming Year: Mr. Warren noted that the investment environment is tough in the U.S. and globally, so he urged the Board and DCRB staff to continue to work hard. He said, “Past performance does not equal future success.” He also highlighted issues that other public pension systems around the country have experienced recently and noted that DCRB must be prepared. Finally, Mr. Warren thanked Executive Director Eric Stanchfield as well as other senior staff members for their dedication.

EXECUTIVE DIRECTOR’S REPORT

Mr. Stanchfield updated the Board on the following items:

- Council Committee Reassignments: For Council Period 20, the District of Columbia Retirement Board, including the District of Columbia Police Officers and Fire Fighters' Retirement Fund and the Teachers' Retirement Fund will now report to the District of Columbia Committee of the Whole. All councilmembers are members of this committee, which will be chaired by Chairman Mendelson. DCRB will no longer report to the Committee on the Judiciary and Public Safety and Government Operations;
- U.S. Treasury Updates: DCRB and representatives from the U.S. Department of the Treasury met on January 18th to discuss on-going projects and past Treasury Auditor concerns about past error correction efforts. Projects include the cost-of-living look back analysis; 80% maximum benefit error; and finalization of the grand reconciliation amount. Treasury indicated that it is in the process of hiring contractors to assist in completing the multiple projects;
- Continued Data Reclamation Stakeholder Meetings: DCRB has continued to make progress engaging all necessary stakeholders so that the Data Reclamation Project can maintain its momentum. Within the last three weeks, staff met with the DC Public Schools System (DCPS), Metropolitan Police Department (MPD), Offices of Pay and Retirement Services (OPRS), and DC Human Resources (DCHR). Additional meetings are being scheduled with DC Fire and Emergency Medical Services Department (FEMS) and additional OPRS technical staff;
- Webinars: Mr. Stanchfield noted that there are several upcoming webinars that are available for Trustees that would be valuable for their education;
- Trustee Pictures: New Trustees and Trustees who would like to re-shoot their pictures can do so before or after the next full-Board meeting on February 21st;
- DCRB Job Openings: DCRB is currently recruiting for a Staff Attorney and an Investment Analyst. The job announcements can be viewed at <http://dcrb.dc.gov/newsroom/job-announcements>;
- April Board Meeting: The April Board Meeting will be postponed by one week so that Trustees can attend the Council of Institutional Investors conference, which will be held at the Washington Capitol Hilton;
- Mr. Stanchfield noted that there is a budget for Trustee education, and he stated that it should be used for new Trustees as well as current Trustees who would like to become better educated on current issues facing public retirement systems. A discussion followed.

GENERAL COUNSEL’S REPORT

Ms. Erie Sampson, General Counsel, reported the following:

- Benefits Administration Final Rule: The proposed DCRB Benefits Administration Rules for Annual Income Review were published December 14, 2012 in the DC Register (17

D.C.M.R. 1701). The 30-day comment period ends January 14, 2013. The rules will be published as final thereafter;

- Vendor-Sponsored Inauguration Celebration (DC Ethics Opinion): The District's Ethics Officer opinion for DCRB was to advise the trustees and staff not to accept a vendor's invitation to attend a reception and watch the Inaugural Parade from its office. The premise is that attendance at such an event to watch the Inaugural Parade from a prime location is not a nominal offering and there is no reasonable way to place a value on watching the parade from a prime location. Ms. Sampson stressed that the attendance by Board management/senior staff at such an event that is hosted by a vendor raises the appearance of impropriety, even if those attending pay some nominal amount for refreshments. A discussion about the ethics rules applying to DCRB Trustees followed.

INVESTMENT COMMITTEE

Ms. Bulger made the following motion, which was seconded by Mr. Blanchard:

Motion #2: To commit up to \$15 million to Affinity Asia Pacific Fund IV, LP, subject to contract negotiations. *A voice vote was called and the motion was approved 10-0.*

Ms. Blum, the Investment Committee Chair, made the following motion, which was seconded by Mr. Bress:

Motion #3: To commit up to \$15 million to Orion European Fund IV, LP, subject to contract negotiations. *A voice vote was called and the motion was approved 10-0.*

Ms. Hensley made the following motion, which was seconded by Mr. Bress:

Motion #4: To commit up to \$15 million to Resource Capital Fund VI, LP, an infrastructure/opportunistic fund, subject to due diligence and contract negotiations. *A voice vote was called and the motion was approved 10-0.*

Ms. Hensley made the following motion, which was seconded by Ms. Marcus:

Motion #5: To approve the additions to the Private Equity Forward Calendar pursuant to the Alternative Investment Manager Governance Policy. *A voice vote was called and the motion was approved 9-0, with one abstention. (Mr. Blanchard abstained noting that his firm only represents Carlyle's LLCs that own property in the District of Columbia and does not advise Carlyle on any investment matters.)*

Ms. Hensley made the following motion, which was seconded by Mr. Bress:

Motion #6: To authorize the Investment Committee Chair to accompany staff on investment manager due diligence visits prior to the March 2013 Investment Committee meeting, based on her role as Chair of the Investment Committee and her deep expertise in investment matters.

Discussion: Mr. Warren noted that Ms. Blum has over 25 years of investment experience, including running banks and being on various boards. He noted that, to be clear, her involvement is not due to the lack of experience of Investment staff, but rather, it is a way for the Board to be

sure that the maximum amount of expertise is used during the due diligence process. *A voice vote was called and the motion was approved 9-0 with one abstention.*

OPERATIONS COMMITTEE REPORT

On behalf of the Operations Committee, Mr. Bress noted that there is no report to be brought before the Board by the Committee.

There were no action items brought before the Board by this committee.

BENEFITS COMMITTEE REPORT

In the absence of Mr. Suter, the Benefits Committee Chair, Mr. Smith noted that the Benefits Committee recently met on November 1, 2012. He updated the Board on the following committee items:

- **Actuarial Assumptions for Benefits:** In December 2011, the Board adopted actuarial assumptions related to mortality tables, interest rates, and cost-of-living adjustments to use in determining the amount of benefits under the retirement plans, as required by section 401(a)(25) of the Internal Revenue Code. Mr. Smith explained that these assumptions have not changed except for the interest rate.

Mr. Smith made the following motion, which was seconded by Ms. Blum:

Motion #7: That the actuarial assumptions adopted by the Board on December 15, 2011, used to determine the amount of any benefit under the District of Columbia Teachers' Retirement Plan and the District of Columbia Police Officers and Firefighters' Retirement Plan, remain the same except for the interest rate, which is 6.5%. *A voice vote was called and the motion was approved 10-0.*

- **Summary Plan Descriptions:** The final drafts have been sent to Treasury for its final review. After any changes by Treasury have been made, DCRB will conduct a final review of the proof, and the booklets will be released for printing. It is expected that the booklets will be distributed to members this spring;
- **2013 COLA Announcements:** DCHR has officially approved the 2013 COLAs (cost-of-living adjustments) for police officers, firefighters, and teachers. In accordance with the relevant statutes, these COLAs will be effective on March 1, 2013 and included with annuity payments beginning April 2013. This year, a COLA of 1.7% applies to everyone (police officers, firefighters, teachers, and their survivors). As indicated in the COLA Notices, annuitants who retired or became survivors after March 1, 2012, will receive a prorated percentage of the COLA (alternate payees under a qualified domestic relations order (QDRO) will receive the percentage specified in their QDRO). The COLA Notices, which contain details and provide proration examples, were posted to DCRB's website;
- **Business Process Reengineering:** Following the completion of its review of major benefits administration processes, Linea Solutions, Inc. (Linea) began developing recommendations for reengineering DCRB's current benefits process, a revised organizational structure for implementing them, and a final strategic planning document. Later in January, Linea will conduct a skills assessment of DCRB's Benefits staff.

The following motion was made by Mr. Smith and was seconded by Mr. Bunn:

Motion #8: To enter Closed Session in order to discuss personnel matters related to the consultant’s findings in the Business Process Reengineering process, pursuant to DC Code §§ 1-909.05(e) and 2-575(b)(10). *A voice vote was called and the motion was approved 10-0.*

Mr. Warren made the following motion, which was seconded by Mr. Bress:

Motion #9: To exit Closed Session at 2:25 p.m. *A voice vote was called and the motion was approved 10-0.*

LEGISLATIVE COMMITTEE REPORT

Mr. Blanchard noted that there was no written Legislative Committee Report.

There were no action items brought before the Board by this committee.

OTHER BUSINESS

- Notice of Final Rulemaking: The Notice of Public Interest certifying the winners of the elections to serve as the Active Firefighter Member, the Active Teacher Member, and the Retired Police Officer Member of the Board was provided;
- Expiration of Trustee Term: The trustees presented a plaque to Ms. Hensley to thank her for her time on the Board. Mr. Warren read the following into the record: “Whereas Deborah Hensley has served as a Trustee on the District of Columbia Retirement Board January 28, 2009, through January 27, 2013, whereas Deborah Hensley has provided expertise, direction, committed time, and imparted excellence as a member of the Investment, Legislative, Operations, and Fiduciary Committees, now therefore be it resolved by the Board of Trustees that we hereby extend our thanks and appreciation to Deborah Hensley for her expertise and years of commitment to the District of Columbia Retirement Board.” Ms. Hensley thanked DCRB staff for all of their support over the years, and she also thanked the Board for teaching her so much over the years and for allowing her to be a part of the success of the Board.

ADJOURNMENT

Motion #10: Mr. Bress moved to adjourn the meeting at 2:35 p.m. Ms. Bulger seconded the motion. *A voice vote was called and the motion was approved 10-0.*

**DISTRICT OF COLUMBIA RETIREMENT BOARD
RECORD OF OFFICIAL BOARD ACTIONS**

Motion #1			Date: January 17, 2012		
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.					√
Warren, Michael J.	√				

Motion #2			Date: January 17, 2012		
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.					√
Warren, Michael J.	√				

Motion #3		Date: January 17, 2012			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.					√
Warren, Michael J.	√				

Motion #4		Date: January 17, 2012			
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.					√
Warren, Michael J.	√				

Motion #5			Date: January 17, 2012		
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.			√		
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.					√
Warren, Michael J.	√				

Motion #6			Date: January 17, 2012		
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis			√		
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.					√
Warren, Michael J.	√				

Motion #7			Date: January 17, 2012		
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.					√
Warren, Michael J.	√				

Motion #8			Date: January 17, 2012		
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.					√
Warren, Michael J.	√				

Motion #9			Date: January 17, 2012		
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.					√
Warren, Michael J.	√				

Motion #10			Date: January 17, 2012		
Members	Aye	Nay/ Oppose	No Vote/ Abstain	No Vote/ Recuse	Absent
Blanchard, Lyle M.	√				
Blum, Barbara Davis	√				
Bress, Joseph M.	√				
Bulger, Diana K.	√				
Bunn, James E.	√				
Hensley, Deborah	√				
Marcus, Judith C.	√				
Ross, Darrick O.	√				
Smith, Edward C.	√				
Suter, George R.					√
Tippett, Thomas N.					√
Warren, Michael J.	√				